

ACC754
FORENSIC ACCOUNTING
PROFESSOR HEITGER
Spring 2011

Instructor: Les Heitger, Ph.D., CPA

Office: Glass 459

Office Hours: Monday: 10:30 – 11:30; 1:00 – 4:30, and by appointment

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Required materials:

Textbook: *Forensic and Investigative Accounting, 4th Edition*, Larry Crumbley, Les Heitger, and Steve Smith, (CCH Incorporated, Chicago), 2009.

In addition to the textbook, I will be distributing a variety of materials throughout the course. You will be doing research on cases and issues in this course that will require you to utilize a variety of resources to support your forensic positions, your written reports, your expert opinions, and your testifying activities. Students will utilize a variety of materials to research and support case activities and positions. This is exactly the type of experience you will encounter in your practice of forensic accounting.

Course Objectives:

The primary objective of this course is to provide students an opportunity to gain experience in forensic and investigative accounting. Forensic accounting embodies many activities that are directed toward maximizing the amount of information provided by the financial information of entities. Frequently forensic accountants are required to provide comprehensive conclusions from only partial financial data. Similarly, forensic accountants often provide much more than traditional information and conclusions from financial information. For example, a forensic accountant may testify that one entity has violated Federal antitrust laws by engaging in predatory pricing. Some forensic accountants spend a good portion of their time in litigation support. Litigation support and expert witnessing is a major activity of consulting by CPA firms and other consulting businesses.

Another major activity of forensic accounting is fraud analysis. Forensic accountants are called upon for fraud detection, fraud analysis, and fraud prevention. Starting with the Enron case, fraud practice has become a very visible part of forensic accounting practice.

Forensic accounting is a fascinating component of the practice of accounting. No two cases are exactly alike. The type of accounting support provided by forensic accountants in both fraud cases and in litigation support varies considerably between cases because of many different factors. Some of the elements that cause each forensic experience to be somewhat unique include the type of case, the issues involved in the case, the type of court in which a case is tried, the attorneys involved in the case, the nature of the client, the type of business involved in the case, the budget assigned for the forensic services, whether the case is a bench trial or a jury trial, etc. In this course, in we will try to provide a rich mix of forensic accounting experiences.

I have served as a forensic accountant and/or testified as an expert witness in over 50 cases over a twenty five year period. My case experiences have covered a wide variety of businesses in many different industries. I have been involved in civil litigation cases and in fraud cases. The cases have been tried in many different legal environments. This course will, by nature, reflect the forensic accounting experiences that I have had, but I will be utilizing numerous other forensic professionals to enrich your experiences in this course.

Nature and Structure of the Course

You as students will determine to some degree the content, pace, and structure of the course. The course outline will “evolve” as the course progresses. I may add or delete topics, change timing, and adjust projects as the class experience dictates. Students’ interests and experiences may also determine some course topics and activities. Additionally, current business events and the current business environment may provide interesting issues for our consideration.

We are a relatively small class. I **expect and require** each of you to participate actively in all class discussions and activities. We will have a number of guest speakers who will be taking time from their very busy schedules to share their knowledge with us. Please make every effort to attend all classes when outside speakers are here. If you must miss **any** class for **any** reason, I would appreciate a brief e-mail to inform me of your absence.

Course Schedule

In order to accommodate the very busy schedules of the forensic accounting professionals that will visit our class, from time to time we may have to change the schedule from the one we now have. If that occurs, I will notify you of the change as soon as I am aware of the situation. I will attempt to maintain the

original schedule as much as possible. I apologize for any inconvenience that these scheduling changes may cause you.

Group Activities

Forensic Accounting is both a team and an individual practice. Many practitioners, such as your instructor, perform most of their Forensic Accounting services as sole practitioners. All of the services provided by such practitioners from consultations, strategy sessions, analyses, deposition testimony and support, trial testimony and support, court document preparation support, and all other services are done with little or no consultation with other Forensic practitioners. Other practitioners operate in professional forensic accounting practices in which a team of practitioners prepares most of the support services. Most large professional firms have teams of Forensic practitioners working on most of their cases. Even in those situations, however, only one person at a time will be testifying at deposition or at trial. Even if many practitioners prepared the analyses and opinions, one will be on the stand testifying by himself or herself.

To create some of that variety of environments, you will be asked to prepare some components of the course individually and some in small groups. Most of your group work will be in small teams.

Professionalism

A component of your grade in this course is professionalism. It does not appear separately below in describing the basis for your grade in this course. Your performance in all aspects of this course, however, will be evaluated in terms of your professionalism. Reports, analyses, presentations, testimony, and class discussions will all be evaluated in terms of professionalism.

A major part of professionalism in a Forensic Accounting environment is confidentiality. Most information in litigation or other Forensic assignments is confidential. Even when a court has deemed certain internal information “discoverable”, that information generally is not public information. Likewise, disclosure of information to others, even in a friendly environment, may jeopardize your case.

Look to your right. Now look to your left. The people on both sides of you may be the “enemy” at some time during this course. Some case projects will have a portion of class members as plaintiffs and some class members as defendants. **Anything** you leak to individuals on the “other side” of the case may cost you the case. Similarly, other classmates who are on the same side in the case are doing their own analyses of case data and situations. You do not want to give them information that will enhance their case performance at the expense of your performance. In the final analysis, all exchanges in a case should be viewed as

business not personal. Sometimes that is hard to understand when you have just been deposed or cross examined in a case.

Communications Skills

Communications skills are **essential** in the world of Forensic Accounting. An inability to communicate well in the Forensic environment **is a fatal career flaw**. Communications is, of course, a two way street. You must listen careful and understand the positions of **both** friend and foe. Similarly, you must be able to communicate your positions in both written and oral form to the appropriate audience. Every assignment, both written and oral, and every classroom discussion will be evaluated in light of your communications skills.

Consultations

A significant portion of your acquired knowledge in a typical consulting engagement is gained during conversations and strategy sessions with clients and attorneys. This is common element of a forensic consulting engagement, but it is difficult to duplicate in the classroom. Therefore, we will have a number of scheduled "consultations" during the semester. We will meet in teams and I will play the role of the client or attorney or both. During these sessions, **you will be my accounting expert**, and I will be relying on you to provide the kind of professional accounting expertise that we need to be successful in our case. This "out-of-class" learning is crucial to the learning process in the Forensic Accounting course.

Court Visits

You will be required to "testify" as part of your forensic consulting practice in this class. We will make every effort through role-playing and other processes to make this as life like as possible. But there is no substitute for actual courtroom drama. There is something about being in the courtroom that provides the real flavor of the testifying environment. To give each student some of that flavor, you will be required to visit two trials for a couple of hours each. At the end of each experience, you will be required to provide me with a 1-2 page write-up of what you saw. I would like a brief review of the issues in the case, and I would like your impressions of what you saw. Were there issues that you saw that surprised you or were of particular interest?

You can check the Greene County trial schedule at the following web site - <https://www.courts.mo.gov/casenet/cases/calendarSearch.do> When you get to this web site you will want to search for trials under individual judges' names. I suggest looking for trials under the following list of Greene County Judges.

Judge Jason Brown, Judge Dan Conklin, Judge Michael Cordonnier, Judge Hugh Harvey, Judge Calvin Holden, Judge Thomas Mountjoy, and Judge Mark Powell.

You may attend any two trial opportunities you would like. I should mention, however, that trial opportunities change from week to week and within a given week. Some trials are cancelled because the case settles literally the morning the case is scheduled to go to trial. So I would not put off this requirement of the course until the end. If you can find trial visitation opportunities in other counties or under other venues, please feel free to attend them to satisfy this requirement.

Role Playing

You will be expected to play a variety of roles in this class. The purpose of role-playing is to achieve a realistic environment for many facets of our class. You should make every effort to stay in the roles you have selected or have been assigned throughout the situation. Many of the roles you play in class will be actual roles you will experience in your practice of Forensic Accounting after leaving Missouri State University.

Team Class Presentations

Forensic Accounting practitioners often are required to be “teachers”. By that I mean in courtrooms and other dispute resolution environments Forensic practitioners are required to educate judges, juries, arbitrators, and others about accounting and business issues that otherwise would remain a mystery in the dispute. Typically experts must educate themselves or at least enhance their knowledge and proficiency about issues they will present in the court. This takes effort, diligence, and ingenuity in preparing effective testimony for the court.

To enhance your skills in this critical aspect of Forensic Accounting practice, each student will be part of a team that will present an important topic in Forensic Accounting. Soon you will receive additional information about the nature and extent of your presentation as well as the logistics of selecting a team and getting ready for the presentation.

Assigned Book Exercises

I will assign some exercises that we will use for class discussion. For each assigned exercise, you should prepare a written response to the exercise. At the end of each class, I will collect your written responses to the assigned exercises. I will grade a week’s assignments on a scale of 1-20 with 14 – 16 being an average score.

Course Grades

I will use the new “plus and minus” grading system in this course. In general the grading scale will be:

A+ = 96 - 100 percent
A = 92 - 95 percent
A- = 90 - 91 percent
B+ = 87 - 89 percent
B = 80 - 86 percent
B- = 77 - 79 percent
C+ = 73 - 76 percent
C = 68 - 72 percent
D = 60 - 67 percent

The course grade will be based on the following:

Examinations (two)	50 percent
Class presentations, reports, and participation	<u>50</u> percent
Total	<u>100</u> percent

Attendance for Examinations

Students are expected to be in attendance for the mid-term examinations and the final examination. If a student has a material, acceptable excuse for missing an examination (e.g., death in the family, etc.), the student is responsible for informing the instructor and obtaining permission to miss the examination before the examination takes place. Failure to obtain permission is an unexcused absence and a grade of zero will be assigned for the student on that examination.

Attendance Policy

I expect each of you to participate actively in class discussions and activities. Please make every effort to attend all the classes. If you must miss any class for any reason, I would appreciate a brief e-mail to inform me of your situation. Since the class meets once a week in the evening, it is important that you not miss any class. Excessive absences will result in a reduction in the points awarded for “Professionalism and Class Participation” and would also suggest that the student needs to withdraw from the class.

Emergency Response Statement

Students who require assistance during an emergency evacuation must discuss their needs with their professors and the Disability Resource Center. If you have emergency medical information to share with me, or if you need special arrangements in case the building must be evacuated, please make an appointment with me as soon as possible.

For additional information students should contact the [Disability Resource Center](#), 836-4192 (PSU 405), or Larry Combs, Interim Assistant Director of [Public Safety and Transportation](#) at 836-6576.

For further information on Missouri State University's Emergency Response Plan, please refer to the following web site: <http://www.missouristate.edu/safetran/erp.htm>

Nondiscrimination

Missouri State University is an equal opportunity/affirmative action institution, and maintains a grievance procedure available to any person who believes he or she has been discriminated against. At all times, it is your right to address inquiries or concerns about possible discrimination to the [Office for Equity and Diversity](#), Park Central Office Building, 117 Park Central Square, Suite 111, (417) 836-4252. Other types of concerns (i.e., concerns of an academic nature) should be discussed directly with your instructor and can also be brought to the attention of your instructor's Department Head. Please visit the OED website at www.missouristate.edu/equity/.

Disability Accommodation

To request academic accommodations for a disability, contact the Director of the [Disability Resource Center](#), Plaster Student Union, Suite 405, (417) 836-4192 or (417) 836-6792 (TTY), www.missouristate.edu/disability. Students are required to provide documentation of disability to the Disability Resource Center prior to receiving accommodations. The Disability Resource Center refers some types of accommodation requests to the [Learning Diagnostic Clinic](#), which also provides diagnostic testing for learning and psychological disabilities. For information about testing, contact the Director of the [Learning Diagnostic Clinic](#), (417) 836-4787, <http://psychology.missouristate.edu/ldc>.

Academic Dishonesty

Missouri State University is a community of scholars committed to developing educated persons who accept the responsibility to practice personal and academic integrity. You are responsible for knowing and following the university's student honor code, *Student Academic Integrity Policies and Procedures*, available at www.missouristate.edu/policy/academicintegritystudents.htm and also available at the

Reserves Desk in Meyer Library. Any student participating in any form of academic dishonesty will be subject to sanctions as described in this policy.

Withdrawal Policy

Please note that the course withdrawal policies for Missouri State University have recently changed. Please note the following discussion regarding withdrawal from the course.

- Those who drop during the first week of the semester will receive no grade.
- Those who drop between week 2 and 12 in a full semester class, will automatically receive a W.
- After the end of the 12th week a student will not be allowed to drop a class – and the instructor will assign the earned grade at the conclusion of the class. Faculty will NOT be allowed to assign a W at this point. You may not drop the class after the drop deadline. If you do not properly drop the class by the drop deadline, then you will receive the grade earned as of the end of the semester. It is your responsibility to understand the University’s procedure for dropping a class. If you stop attending a class but do not follow proper procedure for dropping a class, you will receive a failing grade and will also be financially obligated to pay for the class.
- A grade of Incomplete (I) may be assigned by the instructor only if the student is not in attendance during the last 25 percent of an academic term and the instructor has reason to believe that the absence was beyond the student's control. Otherwise, the instructor shall assign a grade of F. An I grade in a class of this nature is highly unusual.
- For information about dropping a class or withdrawing from the university, contact the [Office of the Registrar](#) at 836-5520.

Policy on Use of Cell Phones in Classes

As a member of the learning community, each student has a responsibility to other students who are members of the community. When cell phones or pagers ring and students respond in class or leave class to respond, it disrupts the class. Therefore, the [Office of the Provost](#) prohibits the use by students of cell phones, pagers, PDAs, or similar communication devices during scheduled classes. All such devices must be turned off or put in a silent (vibrate) mode and ordinarily should not be taken out during class. Given the fact that these same communication devices are an integral part of the University’s emergency notification system, an exception to this policy would occur when numerous devices activate simultaneously. When this occurs, students may consult their devices to determine if a university emergency exists. If that is not the case, the

devices should be immediately returned to silent mode and put away. Other exceptions to this policy may be granted at the discretion of the instructor.

The following schedule is subject to change. I will attempt to stay as close to the schedule as possible. Key dates such as exams and presentation dates will remain constant. Some presenters from the business community, however, may be forced to change their class presentation time because of changing trial testimony requirements or other business issues.

FORENSIC ACCOUNTING CLASS SCHEDULE

<u>DATE</u>	<u>TOPIC</u>	<u>MATERIALS</u>
1/10/11	Introduction to Forensic Accounting	Handouts, Jenny Jones Letter
1/17	NO CLASS: MARTIN LUTHER KING HOLIDAY	
1/24	Patrick McGowan: MBA , JD Corporate Internal Audit – Compliance Pfizer Inc.	Jenny Jones reply letter is due
1/31	Forensic Accounting Practice: The Role of Forensic Accounting in the Business Environment	Chapter 1, Chapter 2, Ex. 1-40, 2-22, 2-34, 2-36,
2/7	(Class will meet in Glass 101) Forensic Accounting Practice in a large firm. Angela Morelock, National Partner in Charge of Forensic & Valuation Services BKD ,LLP	

2/14	Business Valuations	Chapter 17, Ex. 17-1, 17-3, 17-8 Ex. 17-14; Branson Trucking Case: Ex. 17-17, Due 2/28/11
	Expert Reports Forensic Accounting Communications Issues;	Team Assignments Consultation Schedule
2/21	COURT VISITS	
2/28	Discovery: Testimony: Deposition, Trial	Chapter 8, Ex. 8-8, 8-22, 8-24, 8-54, 8-63 Branson Trucking Expert Reports Due
3/7	SPRING BREAK	
3/14	MIDTERM EXAMINATION	
3/21	Theory of Damages, Computing Damages: Identifying and Implementing a Theoretical Framework	Chapter 10; Case Assignments Ex. 10-12, 10-13, 10-15, 10-19, Discuss Team Presentations Assign Teams and Team Presentation Assignments
3/28	FTI Consulting: Jeff Litvak and Nicole Wells Opportunities and Experiences In a Large Forensic Consulting Firm	
4/4	Virginia L. Fry; Attorney Managing Partner of the Springfield Office Husch, Blackwell, Sanders LLP	

4/7 Thursday	(Class moved from Monday 4/11/11 Litigation Support in Special Situations: The Federal False Claims Act And Antitrust Cases	Chapter 11; Ex. 11-3, 11-4, 11-15, Ex. 11-18
4/11	Class Moved to April 7, 2011	
4/18	The FBI: The Nature and Role of the FBI in Forensic Activities: FBI Presentation Mitch King; FBI Agent Springfield, Missouri	
	Economic Damages,	Chapter 12; Ex. 12-1, 12-9, 12-10, 12-17, 12-22 Assign Economic Damages Exercise
4/25	STUDENT PRESENTATIONS Financial Statement Fraud; Misappropriation of Assets	Chapter 3, Chapter 4 Chapter 5 Economic Damages Exercise is due
5/2	STUDENT PRESENTATIONS	Chapter 13, Chapter 14
5/9	FINAL EXAMINATION (8:00 10:00 pm Glass 433)	